

Press Release

Saraswati Rice Industries

March 31, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 6.00 crore bank facilities of Saraswati Rice Industries. The outlook is '**Stable**'.

The Haryana-based Saraswati Rice Industries (SRI) is a partnership firm established in 1998. The firm is engaged in the milling of rice (basmati) and non-basmati and has installed capacity of 1 tonne per hour. It is led by Mr. Sashi Pal Gupta (partner) and Mr. Anita Rani (partner) who possess experience of around two decades in the rice milling industry.

Key Rating Drivers

Strengths

- **Experienced partners**

Mr. Sashi Pal Gupta has experience of around two decades in the rice milling business.

- **Proximity to rice growing areas**

SRI is located at Karnal, Haryana which offers proximity to raw material - paddy, given that the area has ample production of rice.

Weaknesses

- **Small scale of operations**

The firm has long track record of operations of more than a decade. However, the operating income is low at Rs.18.99 cr in FY2015-16 as compared to Rs.15.29 cr in FY2014-15.

- **Weak financial risk profile**

The firm has weak financial risk profile marked by high gearing and low Net worth. The gearing of the firm stood at 5.44 times as on March 31, 2016 against 4.65 times in FY2014-15. Moreover, the net worth of the firm stood low at Rs.1.18 cr in FY2015-16 against Rs.1.04 cr in FY2014-15. The operating margin stood at 5.04 per cent in FY2015-16 against 5.51 per cent in FY2014-15. The net profit margin of the firm stood at 0.13 percent in FY2015-16 as against the net profitability margin of 0.11 percent in FY2014-15.

- **Competitive and fragmented nature of the industry**

Rice milling is a highly competitive industry due to low entry barriers which results in intense competition from both - the organised as well as unorganised players.

- **Agro climatic risks**

Paddy which is the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Analytical Approach

SMERA has considered the standalone approach towards the financial and business risk profiles of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook owing to the management's extensive experience in the rice milling business and its established relationships with customers. The outlook may be revised to 'Positive' in case of sustained increase in revenue and accruals while improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in capital structure or deterioration of the financial risk profile.

About the Rated Entity - Key Financials

In FY2015-16 the firm registered operating income of Rs.18.99 cr with Profit After Tax (PAT) of 0.2 cr as compared to operating income of Rs. 15.29 cr with PAT of 0.02 cr a year earlier. The Net worth of the firm stood at Rs.1.18 cr in FY2015-16 as against Rs.1.04 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Feb-2016	Cash Credit	Long Term	INR 5.25	SMERA B- / Stable
	Proposed Cash Credit	Long Term	INR 0.75	SMERA B- / Stable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.25	SMERA B- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA B- / Stable

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